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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Measures to facilitate reporting by staff members of inappropriate uses of the resources of the Organization; internal controls relating to the payment of allowances and benefits; and efforts to recover outstanding excess income tax reimbursements

Report of the Secretary-General

1. In paragraph 17 (b) of its resolution 46/183 of 20 December 1991, the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to report to it, at its forty-seventh session, "on the implementation of effective measures to facilitate reporting by staff members on a confidential basis with due regard to considerations of privacy, of any inappropriate use of the resources of a United Nations organization or programme".

2. In paragraph 17 (d) of the same resolution, the General Assembly requested the Secretary-General and the other executive heads to "institute without delay more effective control on the payment of all allowances and benefits to staff members and to report on the progress achieved in this regard to the General Assembly at its forty-seventh session ...".

3. In paragraph 21 of the above-cited resolution, the General Assembly expressed its appreciation to the Secretary-General "for the steps taken to eliminate abuses in the payment of income tax reimbursements", and requested him "to continue efforts to recover outstanding excess income tax reimbursements and report thereon to the General Assembly at its forty-seventh session ...".

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4. The present report has been prepared in response to the above-mentioned requests of the General Assembly.

I. MEASURES TO FACILITATE REPORTING BY STAFF MEMBERS ON A CONFIDENTIAL BASIS OF INAPPROPRIATE USES OF RESOURCES

5. Both the Financial Regulations and Rules and the Staff Rules of the United Nations contain explicit provisions to protect the Organization against any financial loss which might result from a staff member's violation of such rules or related administrative instructions. Financial rule 114.1 on personal responsibility states:

> "Every official of the United Nations is responsible to the Secretary-General for the regularity of the actions taken by him or her in the course of his or her official duties. Any official who takes any action contrary to these Financial Rules, or to the administrative instructions issued in connection therewith, may be held personally responsible and financially liable for the consequences of such action".

A parallel provision may be found in staff rule 112.3 on financial responsibility.

6. The United Nations system of financial control is based, for all financial transactions, on a personal delegation of authority to certifying and alternate certifying officers (under financial rule 110.4), to approving officers (under financial rule 108.9) and to procurement officers (under financial rule 110.16); it is also based on the separation of authority, responsibilities and duties to provide checks and balances. For example, certifying officers cannot simultaneously exercise the function of approving officers. All financial transactions therefore require clearance from two authorized officers.

7. Provisions related to personal responsibility are also included in financial rules 109.5 on losses of cash or negotiable instruments, 110.14 on the writing-off of cash and receivables and 110.15 on the writing-off of losses of property.

8. In addition to the provisions on financial responsibility and control in the Financial Rules and the Staff Rules, there is a standing instruction from the United Nations Controller to all executive and administrative officers at Headquarters and all heads of administration and heads of finance at offices away from Headquarters that they are to notify the Controller, directly and in writing, whenever a case of fraud or presumptive fraud involving the improper use of funds is discovered. This instruction applies irrespective of the source of funds. The Director of the Internal Audit Division is to be notified at the same time. The officials responsible for informing the Controller of cases of fraud or presumptive fraud are held personally responsible if it is determined, in the course of audit reviews or other developments, that cases of fraud or presumptive fraud involving the improper use of funds had been identified but had not been reported to the Controller.

9. It is clear from the foregoing that United Nations staff members, particularly those holding positions of responsibility in administration and finance, are required to report to senior management any inappropriate uses of the resources of the Organization. Furthermore, ample provision exists, both in the Financial Rules and in the Staff Rules, for assigning personal responsibility to individual staff members for any financial loss incurred by the Organization owing to the inappropriate use of resources. Such provisions, which have been invoked when required, coupled with the provisions in the Staff Regulations and Rules and related administrative issuances on disciplinary measures, also serve as a deterrent to the potential misuse of the Organization's resources.

10. In the civil services of some Member States, as well as in the private sector, there exist more elaborate provisions and programmes which encourage the reporting of inappropriate uses of resources. Such programmes are thus far to be found, however, in only a few Member States.

11. The information reviewed suggests that considerable problems have been encountered at the national level in developing and operating effective programmes of this nature. Those who report abuses have frequently been the target of retaliation since, in many cases, it has been difficult to guarantee confidentiality to such individuals. Problems have also arisen in some programmes owing to extensive due process requirements, as well as the submission of unfounded and malicious reports. In addition, such programmes have required the establishment of an administrative structure to receive and investigate reports, with the associated costs. The problems identified above would be compounded in an international organization such as the United Nations, with activities in every part of the world.

12. The difficulties involved in establishing and administering a programme of this nature at the United Nations might therefore outweigh the potential benefits of adding such a scheme to the existing systems for preventing and reporting abuse. As indicated in paragraphs 5 to 9 above, the provisions in the Financial Rules and the Staff Rules of the United Nations, together with related instructions issued by senior management, require staff members to prevent the inappropriate use of resources and, if misuses occur notwithstanding such efforts, to report such cases to the Controller. It seems that the objectives of paragraph 17 (b) of General Assembly resolution 46/183 can best be met by strict adherence to the existing provisions and by the enhancement of existing internal controls, as discussed in section II below, rather than through the establishment of a new or supplementary programme.

13. The matter will, however, be kept under active review. Should developments so warrant in the future, the possibility of introducing additional measures to facilitate the reporting of inappropriate uses of resources would be reconsidered and the General Assembly would be so informed.

II. INTERNAL CONTROLS ON THE PAYMENT OF ALLOWANCES AND BENEFITS

14. The Secretary-General attaches great importance to his fiduciary responsibility vis-à-vis Member States for the prudent management of resources entrusted to the Organization. Care is taken to ensure that these resources are utilized for the purposes for which they were provided, that they are spent with all due regard for economy and that there is accountability at all stages for their use. While inappropriate uses of the Organization's resources have occasionally been identified, the number of such cases has been low in relation to the size and geographical dispersion of the staff of the United Nations, as well as the variety of entitlements and benefits. The key elements in preventing such misuses of resources is an effective system of internal controls, supplemented by regular audit.

15. At its forty-second session, in response to a request in General Assembly resolution 41/176 of 5 December 1986, the General Assembly considered a report of the Secretary-General 1/ concerning the internal control procedures relating to benefits and allowances received by United Nations staff members. As indicated therein, the principal features of the internal control systems relating to the payment of allowances and benefits are: (a) certification by the staff member; (b) the submission by the staff member of original documentation to demonstrate eligibility for particular entitlements; and (c) where feasible, confirmation by third parties of information provided by the staff member.

16. The provision of virtually all United Nations entitlements requires the certification of the staff member concerned. Certification by the staff member is deemed to be a valid form of confirmation, and thus an essential feature of any internal control system for the granting of such entitlements, in view of the requirement, under the Charter of the United Nations and staff regulation 4.2, that staff members possess the highest standards of integrity. False certification by a staff member is considered serious misconduct and therefore constitutes grounds for appropriate disciplinary action.

17. At the same time, it is considered necessary and appropriate to require original documentation to be submitted to substantiate eligibility for particular entitlements. For example, a staff member claiming dependency benefits for a spouse and dependent children must present original birth certificates for the children and an original marriage certificate. Similarly, claims for payment of education grant must be accompanied by a form completed by the school and embossed with its seal, listing full details of all tuition charges and actual payments made.

18. A staff member applying for a rental subsidy is required, each year, to submit a new application, with a receipt for the first month's rent or the cancelled rent cheque and a copy of the lease. The staff member's rental subsidy payments are stopped if the application for a subsidy and the required supporting documentation are not received by the stated deadline.

19. Third-party verification has been used to a greater extent with certain allowances and benefits, such as education grant payments. For example, statistics maintained at Headquarters indicate that some 50 per cent of education grant claims from staff members are subject to such checks. Where any doubt exists as to the legitimacy of a particular claim, the information submitted is verified directly with third parties.

20. Other kinds of controls are involved when advance payments are made for particular entitlements, such as travel advances and education grant advances. If the documentation required to substantiate the claim is not submitted on time, automatic payroll deductions are initiated to recover the advance. For example, if a staff member's travel claim, together with proof that the travel has been undertaken, are not received within two weeks of the completion of travel, steps are initiated to recover from the staff member the amount of the travel subsistence allowance advanced; steps are then taken, as appropriate, to recover the cost of the ticket as well. Similarly, if a staff member fails to submit a completed request for education grant, accompanied by the school's certificate of attendance, before the established deadline, the amount of the education grant advanced is recovered.

21. As a complement to the systems of internal control, the Internal Audit Division, as part of its regular audit programme, reviews and reports on the adequacy of these control systems. The audits consist of an examination of the individual records of staff members chosen at random to verify their eligibility for the entitlements claimed and to check all calculations of salary and benefits for conformity with the United Nations Staff Regulations and Rules and related administrative issuances.

22. Efforts have been intensified in recent years to strengthen the internal controls for the payment of allowances and benefits. The internal control systems have been given priority within the context of the development of the Integrated Management Information System (IMIS). To this end, specialists in internal control systems have been included, both among the staff assigned to the IMIS project and among the consultants engaged by the Organization to assist it in this endeavour. Extensive consultations have been held between the various offices concerned and the IMIS project team over the past year, to ensure that long-term and comprehensive measures and controls in administering these entitlements are built into the system.

23. In addition to the ongoing work on the IMIS project, improvements have been introduced in a number of specific areas. Existing systems and procedures for the recovery of advances of various types have been improved and new ones have been implemented. In most instances, salary advances are now automatically scheduled for recovery from salary. When a staff member separates from the Organization, his/her records are systematically reviewed to ensure that any outstanding advances or overpayments are recovered from separation benefits. There has also been significantly improved coordination between the various offices concerned in monitoring the payment of allowances and benefits and related advances.

24. The above examples are intended to illustrate the existing systems of internal control and to highlight the improvements made in recent years in this respect. It is acknowledged, however, that some shortcomings in this area continue to exist, as indicated by the Board of Auditors in their report on the accounts of the United Nations for the biennium ended 31 December 1991. 2/ These shortcomings can be attributed in part to the limited resources available for the processing of claims relating to allowances and benefits, coupled with the increasing workload arising from the expansion in the Organization's activities.

25. Another major source of problems has been the inadequate computerization to date of information pertinent to allowances and benefits and the reliance, as a result, on labour-intensive manual procedures. The complexity of some allowances and benefits is a further contributory factor. The difficulties noted are exacerbated by the fact that the administration of allowances and benefits is spread among a number of different organizational units. In addition, difficulties have been encountered in devising and implementing appropriate third-party confirmation procedures for certain allowances and benefits.

26. While mindful of their obligation to provide services to staff members in a timely and effective manner, the offices concerned are fully aware of the need, at the same time, to devote adequate attention to internal controls. It is considered that the desired balance between the timely provision of services and concern for internal controls can best be maintained by advancing computerization in the context of IMIS, rather than by implementing labour-intensive manual procedures which can only produce limited results.

27. The target date for the implementation of the module of IMIS on allowances and benefits at Headquarters is the spring of 1993; this will involve the determination of entitlements and the processing of related claims. Payroll implementation is scheduled later in the year. Through IMIS, the offices involved in the processing of requests for allowances and benefits will have access to a comprehensive database, including all information provided by a staff member which may have an impact on his/her eligibility for various allowances and benefits. The processing and verification of entitlements in IMIS will be based on the incorporation in the system of the applicable staff rules and other administrative provisions. The system will then verify the information on individual staff members against these rules and determine eligibility for each entitlement, with starting and ending dates.

28. In this way, the processing of entitlements, including their discontinuance, will be more timely than at present; the application of the rules will be more consistent throughout the Secretariat; management will have the required tools to monitor the administration of entitlements; and the Internal Audit Division will be better able to review compliance with the applicable rules and policies. Risks of overpayment will also decrease significantly, as any processing of entitlements will automatically be reflected in payroll entries. The implementation of IMIS will considerably reduce the difficulties identified in paragraphs 24 and 25 above relating to

the shortage of resources, inadequacies in computerization, the complexity of certain entitlements and the decentralization of the administration of benefits and allowances.

29. At the same time and separate from IMIS, work is proceeding on the development of additional third-party confirmation procedures, which will be applied to a sample of randomly selected staff members. These will focus on allowances and benefits for which difficulties in devising such procedures have been encountered in the past.

III. RECOVERY OF OUTSTANDING EXCESS INCOME TAX REIMBURSEMENTS

30. As requested by the General Assembly in paragraph 21 of its resolution 46/183, efforts to recover outstanding excess income tax reimbursements have been intensified. Overpayments which come to light are immediately scheduled for recovery. Major efforts have been made to minimize any possible overpayment by analysing in greater depth each staff member's individual situation. To this end, changing circumstances which may affect the Organization's liability for the reimbursement of income taxes, such as modifications in the contractual status of a staff member or a change in his or her duty station, are taken into account when quarterly tax advances are paid. In this context, there is now significantly improved coordination between the various offices concerned.

31. In recent years, income tax returns submitted as part of the request for reimbursement of taxes have been regularly reviewed against information provided by the staff member in claims for various allowances and benefits. Married staff members filing as single taxpayers are required to justify why they are not filing a joint return with their spouse, which would normally reduce the amount of their taxes, and thereby, the amount to be reimbursed by the United Nations.

32. Current staff members who have not filed the required copies of income tax returns are systematically contacted. If returns are not filed on a timely basis, outstanding tax advances are recovered. Furthermore, separating staff members are now required to obtain clearance from the office concerned regarding their tax situation before receiving final separation payments. Staff members who separate with legitimate advances outstanding and who do not file income tax returns are contacted in writing, with prompt follow-up communications where necessary.

CONCLUSION

33. The necessary framework for staff members to report inappropriate uses of resources already exists in the provisions on financial responsibility and related matters in the Financial Rules and the Staff Rules of the United Nations and supporting administrative issuances. With regard to the payment of allowances and benefits, attention has been given to enhancing internal

control systems; the implementation of IMIS will strengthen these controls, while facilitating the timely processing of outstanding claims. Considerable progress has been made in recent years in minimizing overpayments relating to the reimbursement of income taxes and in devising measures to facilitate the recovery of outstanding excess income tax reimbursements. Underlying all of these efforts is the commitment to ensure that the resources entrusted to the Organization are utilized prudently and properly.

Notes

1/ A/42/437.

2/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), sect. II, paras. 187-192.